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Please find below and/or attached an Office communication concerning this application or proceeding.

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**BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES**

Application Number: 10/798,551
Filing Date: March 12, 2004
Appellant(s): DARR, JAMES J.

Matthew J. Laskoski
For Appellant

EXAMINER'S ANSWER

This is in response to the appeal brief filed on 04/20/11 appealing from the Office action mailed 05/12/10.

(1) Real Party in Interest

The examiner has no comment on the statement, or lack of statement, identifying by name the real party in interest in the brief.

(2) Related Appeals and Interferences

The examiner is not aware of any related appeals, interferences, or judicial proceedings which will directly affect or be directly affected by or have a bearing on the Board's decision in the pending appeal.

(3) Status of Claims

The following is a list of claims that are rejected and pending in the application:

1-8, and 12-24.

(4) Status of Amendments After Final

The examiner has no comment on the appellant's statement of the status of amendments after final rejection contained in the brief.

(5) Summary of Claimed Subject Matter

The examiner has no comment on the summary of claimed subject matter contained in the brief.

(6) Grounds of Rejection to be Reviewed on Appeal

The examiner has no comment on the appellant's statement of the grounds of rejection to be reviewed on appeal. Every ground of rejection set forth in the Office action from which the appeal is taken (as modified by any advisory actions) is being maintained by the examiner except for the grounds of rejection (if any) listed under the

subheading "WITHDRAWN REJECTIONS." New grounds of rejection (if any) are provided under the subheading "NEW GROUNDS OF REJECTION."

(7) Claims Appendix

The examiner has no comment on the copy of the appealed claims contained in the Appendix to the appellant's brief.

(8) Evidence Relied Upon

2002/0035489

Herman et al

3-2002

(9) Grounds of Rejection

Claim Rejections - 35 USC § 102

The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this Office action:

A person shall be entitled to a patent unless –

(e) the invention was described in (1) an application for patent, published under section 122(b), by another filed in the United States before the invention by the applicant for patent or (2) a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent, except that an international application filed under the treaty defined in section 351(a) shall have the effects for purposes of this subsection of an application filed in the United States only if the international application designated the United States and was published under Article 21(2) of such treaty in the English language.

Claims 1-5, 7-8, 12-20, and 22-24 are rejected under 35 U.S.C. 102(e) as being anticipated by Herman (US PUB NO.: 2002/0035489).

Re claim 1. Herman discloses a system for raising funds for a first organization, the system comprising: a memory for storing executable instructions; and a processor for performing the steps comprising, identifying one or more individuals associated with the first organization (see paras 0008); requesting enrollment of the one

or more identified individuals in a program permitting the first organization to take out an insurance policy on each life of the one or more identified individuals naming the first organization as beneficiary (see paras 0022), and granting the first organization an irrevocable right to utilize the insurance policy on each life of the one or more identified individuals to serve the best interests of the first organization (see paras 0007 and 0024); receiving information from one or more of the identified individuals accepting the enrollment; selecting one or more of the one or more enrolled individuals based upon the received information to create a structured financial asset comprising one or more insurance policies for each of the selected individuals (see paras 0008), wherein the one or more insurance policies are selectively grouped based upon actuarial matrices or formulas into the structured financial asset (see paras 0024); facilitating payment of premiums for the structured financial asset (see paras 0009); holding a structured financial asset of a first organization in a passive vehicle (i.e., escrow account, see fig.4 element 420); providing, by a second organization, capital to the first organization (i.e., lenders provide loans, see paras 0008) as evidenced by a promissory note secured by the structured financial asset; transferring a right or a benefit that the passive vehicle receives with respect to the structured financial asset as repayment of the promissory note (i.e., The insurance policies serve as collateral to the lender for the loan. The insurance premiums are invested in traditional securities to generate an investment return, so that the cash value associated with the policies increases with time. A predetermined cash flow is guaranteed to the foundation by the program, as a function of the number of lives insured, for example. Loan payments are made to the lender

from the life insurance policy death benefit proceeds and, as needed, from guaranteed mortality reinsurance payments, see paras 0009), and wherein the structured financial asset generates a variable net cash flow after the payment of premiums, based upon and timed by mortality payments and not based upon and timed by an expected mortality rate (i.e., The insurance policies, mortality payments and/or reinsurance payments provide a source of revenue sufficient to repay the lender(s) or investor(s) and to finance a specific mission statement of the foundation, see paras 0022 of Herman), determined by factors selected from the group consisting of ages of the selected individuals, mortality rate of the selected individuals, investment performance of the structured financial asset, guarantees of an insurance company, and combinations thereof (see paras 0009) (see the summary of the invention, also see the abstract).

Re claim 2. Herman further discloses the method of claim 1, wherein the passive vehicle holds the structured financial asset on behalf of the first organization and the second organization (i.e., escrow account, see fig.4 element 420)

Re claim 3. Herman further discloses the method of claim 1, wherein the right or the benefit includes canceling the structured financial asset (i.e., terminate said reinsurance policy, see col.32, line 28-30)

Re claim 4. Herman further discloses the method of claim 1, wherein the right or the benefit includes distributing all assets contained within the passive vehicle (see paras 0010)

Re claim 5. Herman further discloses the method of claim 1, wherein the right or the

benefit includes transferring a right or a benefit from the structured financial asset at any time (see paras 0010)

Re claim 7. Herman further discloses the method of claim 1, wherein the first organization is a non-profit organization (see the abstract)

Re claim 8. Herman further discloses the method of claim 1, wherein the second organization includes a lender. (see fig.1 element 108)

Re claim 12. Herman further discloses the method of claim 1, wherein the first organization is solely responsible for the premiums of the one or more insurance policies (see the summary of the invention)

Re claim 13. Herman further discloses the method of claim 1, wherein the one or more insurance policies is structured as a single premium modified endowment contract (see paras 0034)

Re claim 14. Herman further discloses the method of claim 1, wherein the structured financial asset includes variable universal life insurance (see paras 0031 and 0034).

Re claim 15. Herman further disclose the method of claim 1, wherein the passive vehicle includes a trust (see paras 0010)

Re claim 16. Herman further discloses the method of claim 1, wherein the passive vehicle includes a Qualifying Special Purpose Entity (see fig1 element 110)

Re claim 17. Herman further discloses the method of claim 1, wherein the second organization, upon the transfer of the structured financial asset by the first organization to the passive vehicle, has an investment classified as an "available for sale investment" under FASB 140 at the full purchase price of the second organization (see paras 0035)

Re claim 18. Herman further discloses a method for raising funds for a first organization comprising: identifying insurable interests associated with the first organization (see paras 0008); requesting authorization for the first organization to insure the insurable interests; taking out one or more policies insuring the insurable interests, wherein the insurable interests are the lives of a plurality of individuals associated with a non-profit organization (see paras 0022); naming the first organization as the beneficiary of the one or more policies (see paras 0007 and 0024); selectively grouping the one or more policies based upon actuarial matrices and formulas (see paras 0024), transferring funds as evidenced by a promissory note secured by each grouping of the one or more policies to the first organization (see paras 0008-0009); and repaying the promissory note by transferring one or more benefits or rights from the one or more policies (i.e., Loan payments are made to the lender from the life insurance policy death benefit proceeds and, as needed, from guaranteed mortality reinsurance payments, see paras 0009), wherein the selective grouping of the one or more generates a variable net cash flow after the payment of premiums, based upon and timed by mortality payments and not based upon and timed by an expected mortality rate (see paras 0022) (see the summary of the invention, also see the abstract).

Re claim 19. Claim 19 recites similar limitations to claim 18 and thus rejected using the same art and rationale as in claim 18 *supra*.

Re claim 20. Claim 20 recites similar limitations to claim 1 and thus rejected using the same art and rationale as in claim 1 *supra*.

Re claim 22. Herman further discloses the method of claim 20, wherein the first organization is solely responsible for the premiums of the structured financial asset (see the summary of the invention).

Re claim 23. Herman further discloses the method of claim 20, wherein the passive vehicle is a Qualifying Special Purpose Entity (see fig1 element 110)

Re claim 24. Herman further discloses the method of claim 20, wherein the second organization, upon the transfer of the structured financial asset by the first organization to the passive vehicle, has an investment classified as an "available for sale investment" under FASB 140 (see paras 0035).

Claim Rejections - 35 USC § 103

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

The factual inquiries set forth in *Graham v. John Deere Co.*, 383 U.S. 1, 148 USPQ 459 (1966), that are applied for establishing a background for determining obviousness under 35 U.S.C. 103(a) are summarized as follows:

1. Determining the scope and contents of the prior art.
2. Ascertaining the differences between the prior art and the claims at issue.
3. Resolving the level of ordinary skill in the pertinent art.
4. Considering objective evidence present in the application indicating obviousness or nonobviousness.

Claims 6 and 21 are rejected under 35 U.S.C. 103(a) as being unpatentable over Herman.

Re claims 6 and 21. Herman does not explicitly disclose the method of claim 1, wherein the right or the benefit includes a call option to acquire the structured financial asset from the passive vehicle. However, official notice is taken that option trading is old and well known in the investment world. Thus one of ordinary skill in the art would have been motivated to go into an agreement to buy the structured financial asset at a specified price within a specified time for higher potential return.

(10) Response to Argument

In response to the appellant's argument concerning the rejections of

A. Claims 1-5, 7-8 and 12-17, B. Claim 18, C. Claim 19, D. Claims 19-20 and 22-24, under 35 U.S.C. 102(e) as being anticipated by Herman.

The appellant argues that Herman fails to teach "wherein the structured financial asset generates a variable net cash flow, after the payment of premiums, based upon and timed by actual mortality payments and not based upon and timed by an expected mortality rate." The examiner went back to the appellant's specification, more specifically paragraph 0071. In paragraph 0071, the appellant states that "Cash distributions may be based upon and timed by mortality payments." However, such recitation is also found in the prior art, Herman (i.e., The insurance policies, mortality payments and/or reinsurance payments provide a source of revenue sufficient to repay the lender(s) or investor(s) and to finance a specific mission statement of the foundation (See

paras 0022 of Herman). That is to say, cash distribution received from the mortality payments provide revenue cash flow to repay the lender or investor. Said another way, the revenue cash flow received by the lender and the investor is accurately timed by the mortality payments. All in all, the teaching, in Herman, that "the insurance policies, mortality payments and/or reinsurance payments provide a source of revenue sufficient to repay the lender(s) or investor(s) and to finance a specific mission statement of the foundation " reads on applicant's claimed limitation of "wherein the structured financial asset generates a variable net cash flow, after payment of premiums, based upon and timed by actual mortality payments and not based upon and timed by an expected mortality rate."

The examiner further contends that Herman's cash flow is indeed based upon and timed by actual mortality Payments, as evidenced in Herman's recognition that there can be a shortfall in the mortality payments (i.e., death benefit pay-outs). To compensate for any short falls in mortality payments and to ensure that the lender receives a minimum level of mortality payments, Herman then contemplates a reinsurance policy to compensate for any shortfalls in mortality payments, thereby protecting the cash flow to the lender by ensuring a minimum level of overall insurance proceeds. That is to say, Herman is fully aware of the fact that timing cash flow to the lender/investor with expected mortality can lead to shortfalls in mortality payments. For example, the expected mortality rate of policy holders in a future date is set to be 20, however let say the actual mortality on this future date is only 15, then the cash flow timed with

expected mortality of 20 would definitely experience some shortfall. This is why Herman contemplates the use of reinsurance payments to guarantee minimum mortality payments to the lender/investor (see paras 0009 of Herman).

In response to the appellant's argument concerning the obviousness rejections of claims 6 and 21 under 35 U.S.C. 103(a) over Herman.

The appellant further argues that Herman fails to teach "wherein the structured financial asset generates a variable net cash flow, after the payment of premiums, based upon and timed by actual mortality payments and not based upon and timed by an expected mortality rate." The examiner contends that claims 6 and 21 do recite the limitation "wherein the structured financial asset generates a variable net cash flow, after the payment of premiums, based upon and timed by actual mortality payments and not based upon and timed by an expected mortality rate." Thus, the appellant's argument is moot in view of the fact that such limitation is not found in claims 6 and 21.

(11) Related Proceeding(s) Appendix

No decision rendered by a court or the Board is identified by the examiner in the Related Appeals and Interferences section of this examiner's answer.

For the above reasons, it is believed that the rejections should be sustained.

Respectfully submitted,

/OJO O OYEBISI/

Primary Examiner, Art Unit 3695

Conferees:

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